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MAGNIFICENT HOTEL INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 201)

2018 INTERIM RESULTS

RESULTS

The board of directors (the “Board”) of Magnificent Hotel Investments Limited (the “Company”) announces that the **net profit after tax attributable to owners of the Company** before exchange adjustment, revaluation gain of investment properties and depreciation of land, property and equipment for the six months ended 30th June, 2018 was HK\$95 million (six months ended 30th June, 2017: HK\$78 million), increased by 22%.

	Six months ended	
	30.6.2018	30.6.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit after taxation	61,467	22,102
Add: Depreciation for land, property and equipment	38,952	39,728
Add: Exchange adjustment	-	21,094
Less: Revaluation gain of investment properties	<u>(5,235)</u>	<u>(4,920)</u>
Net profit after tax before exchange adjustment, revaluation gain of investment properties and depreciation for land, property and equipment	95,184	78,004

The unaudited consolidated results of the Group for the period, together with comparative figures for the previous period, are as follows:

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June, 2018

	NOTES	Six months ended	
		30.6.2018 <i>HK\$'000</i> (unaudited)	30.6.2017 <i>HK\$'000</i> (unaudited)
Revenue	3	265,037	233,343
Cost of sales		(2,205)	(2,261)
Other service costs		(134,736)	(124,731)
Depreciation of property, plant and equipment and release of prepaid lease payments for land		<u>(35,629)</u>	<u>(36,547)</u>
Gross profit		92,467	69,804
Increase in fair value of investment properties		5,235	4,920
Other income and expenses and gains and losses		3,827	(20,621)
Administrative expenses		(18,092)	(17,702)
- Depreciation		(3,323)	(3,181)
- Others		(14,769)	(14,521)
Finance costs	5	<u>(6,787)</u>	<u>(5,053)</u>
Profit before taxation		76,650	31,348
Income tax expense	6	<u>(15,183)</u>	<u>(9,246)</u>
Profit for the period attributable to owners of the Company	7	<u><u>61,467</u></u>	<u><u>22,102</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
Basic		<u><u>0.69</u></u>	<u><u>0.25</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Condensed Consolidated Statement of Total Comprehensive Income

For the six months ended 30th June, 2018

	Six months ended	
	30.6.2018	30.6.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	<u>61,467</u>	<u>22,102</u>
Other comprehensive (expense) income		
Item that will not reclassified to profit or loss		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	<u>(11,619)</u>	<u>-</u>
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	(11,253)	50,314
Fair value gain on available-for-sale investments	<u>-</u>	<u>34,535</u>
	<u>(11,253)</u>	<u>84,849</u>
Other comprehensive (expense) income for the period	<u>(22,872)</u>	<u>84,849</u>
Total comprehensive income attributable to owners of the Company	<u><u>38,595</u></u>	<u><u>106,951</u></u>

Consolidated Statement of Financial Position
At 30th June, 2018

	<i>NOTES</i>	30.06.2018 <i>HK\$'000</i>	31.12.2017 <i>HK\$'000</i>
Non-Current Assets			
Property, plant and equipment		2,652,140	2,650,413
Prepaid lease payments for land		28,675	29,528
Investment properties		1,045,785	1,055,800
Properties under development		74,800	74,157
Available-for-sale investments		-	377,370
Equity instruments at fair value through other comprehensive income		<u>363,856</u>	-
		<u>4,165,256</u>	<u>4,187,268</u>
Current Assets			
Inventories		1,008	1,093
Prepaid lease payments for land		850	862
Trade and other receivables	<i>10</i>	13,751	21,327
Other deposits and prepayments		7,754	6,884
Bank balances and cash		<u>610,124</u>	<u>608,762</u>
		<u>633,487</u>	<u>638,928</u>
Current Liabilities			
Trade and other payables and accruals	<i>11</i>	28,625	23,806
Rental and other deposits received		9,151	5,736
Contract liabilities		6,486	-
Amount due to immediate holding company		5,784	4,898
Amount due to ultimate holding company		-	1,501
Tax liabilities		21,425	11,155
Bank loans		<u>385,732</u>	<u>404,094</u>
		<u>457,203</u>	<u>451,190</u>
Net Current Assets		<u>176,284</u>	<u>187,738</u>
Total Assets less Current Liabilities		<u>4,341,540</u>	<u>4,375,006</u>
Capital and Reserves			
Share capital		841,926	841,926
Reserves		<u>3,101,844</u>	<u>3,119,347</u>
Total Equity		<u>3,943,770</u>	<u>3,961,273</u>
Non-Current Liabilities			
Bank loans		301,430	317,646
Rental deposits received		543	2,090
Deferred tax liabilities		<u>95,797</u>	<u>93,997</u>
		<u>397,770</u>	<u>413,733</u>
		<u>4,341,540</u>	<u>4,375,006</u>

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31st December, 2017 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2017 to the Register of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2018 for the preparation of the Group’s condensed consolidation financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies.

3. REVENUE

Revenue represents the aggregate of income from operation of hotels, property rental and dividend income, and is analysed as follows:

	Six months ended	
	30.6.2018 <i>HK\$'000</i> (unaudited)	30.6.2017 <i>HK\$'000</i> (unaudited)
Income from operation of hotels	243,995	213,450
Income from property rental	17,639	16,857
Dividend income	<u>3,403</u>	<u>3,036</u>
	<u>265,037</u>	<u>233,343</u>

4. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision maker, Chairman of the Company, for the purpose of resources allocation and performance assessment are as follows:

1. Hospitality services - Best Western Plus Hotel Kowloon
2. Hospitality services - Best Western Plus Hotel Hong Kong
3. Hospitality services - Magnificent International Hotel, Shanghai
4. Hospitality services - Best Western Hotel Causeway Bay
5. Hospitality services - Best Western Hotel Harbour View
6. Hospitality services - Best Western Grand Hotel
7. Hospitality services - Grand City Hotel
8. Property investment - Shops
9. Property investment - Hotel
10. Securities investment

Information regarding the above segments is reported below.

4. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating and reportable segment for the periods under review:

	Segment revenue Six months ended		Segment profit Six months ended	
	30.6.2018 HK\$'000 (unaudited)	30.6.2017 HK\$'000 (unaudited)	30.6.2018 HK\$'000 (unaudited)	30.6.2017 HK\$'000 (unaudited)
Hospitality services	243,995	213,450	71,425	49,911
- Best Western Plus Hotel Kowloon	31,652	27,927	5,473	4,043
- Best Western Plus Hotel Hong Kong	40,858	36,298	15,463	12,827
- Magnificent International Hotel, Shanghai	9,799	10,321	1,548	2,314
- Best Western Hotel Causeway Bay	32,803	28,263	8,301	5,199
- Best Western Hotel Harbour View	50,669	42,618	20,348	13,834
- Best Western Grand Hotel	53,184	46,927	12,813	7,802
- Grand City Hotel	25,030	21,096	7,479	3,892
Property investment	17,639	16,857	22,874	21,777
- Shops	1,260	1,464	1,260	1,464
- Hotel	16,379	15,393	21,614	20,313
Securities investment	3,403	3,036	3,403	3,036
	<u>265,037</u>	<u>233,343</u>	97,702	74,724
Other income and expenses and gains and losses			3,827	(20,621)
Central administration costs and directors' emoluments			(18,092)	(17,702)
Finance costs			(6,787)	(5,053)
Profit before taxation			<u>76,650</u>	<u>31,348</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2018 HK\$'000 (unaudited)	30.6.2017 HK\$'000 (unaudited)
Interests on:		
Bank loans	6,783	5,049
Amount due to immediate holding company	<u>4</u>	<u>4</u>
	<u>6,787</u>	<u>5,053</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2018 HK\$'000 (unaudited)	30.6.2017 HK\$'000 (unaudited)
The taxation charge comprises:		
Current tax		
Hong Kong	10,394	7,782
The People's Republic of China ("PRC")	339	526
The United Kingdom ("UK")	<u>2,713</u>	<u>1,145</u>
	13,446	9,453
Overprovision in prior years		
UK	<u>(63)</u>	<u>-</u>
	13,383	9,453
Deferred tax	<u>1,800</u>	<u>(207)</u>
	<u>15,183</u>	<u>9,246</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The annual tax rate used is 16.5% for the six months ended 30th June, 2018 (six months ended 30th June, 2017: 16.5%).

Taxation arising in the PRC and the UK are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year prevailing in the relevant jurisdictions.

7. PROFIT FOR THE PERIOD

Six months ended	
30.6.2018	30.6.2017
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Profit for the period has been arrived at after charging
(crediting):

Release of prepaid lease payments for land	425	411
Depreciation of property, plant and equipment	38,527	39,317
Interest on bank deposits (Note)	(3,485)	(665)
Loss on disposal of property, plant and equipment (Note)	61	254
Exchange loss (Note)	=	<u>21,094</u>

Note: The amount is included in other income and expenses and gains and losses.

8. DIVIDEND

During the six months ended 30th June, 2018, a final dividend of HK0.627 cent per share amounting to HK\$56,098,000 was declared and paid to shareholders for the year ended 31st December, 2017 (six months ended 30th June, 2017: a final dividend of HK0.563 cent per share amounting to HK\$50,372,000 was paid to shareholders for the year ended 31st December, 2016).

The interim dividend in respect of the six months ended 30th June, 2018 of HK0.08 cent per share amounting to HK\$7,158,000 has been declared by the Board (six months ended 30th June, 2017: HK0.077 cent per share amounting to HK\$6,889,000).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$61,467,000 (six months ended 30th June, 2017: HK\$22,102,000) and on 8,947,051,000 shares (six months ended 30th June, 2017: 8,947,051,000 shares) in issue during the period.

Diluted earnings per share for both periods are not presented as there are no potential ordinary shares exist during both periods.

10. TRADE AND OTHER RECEIVABLES

	As at 30.6.2018 <i>HK\$'000</i> (unaudited)	As at 31.12.2017 <i>HK\$'000</i> (audited)
Trade receivables	11,016	19,647
Other receivables	<u>2,735</u>	<u>1,680</u>
	<u>13,751</u>	<u>21,327</u>

Except for a credit period of 30 to 60 days granted to travel agencies and certain customers of the hotels, the Group does not allow any credit period to customers. The following is an aged analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period:

	As at 30.6.2018 <i>HK\$'000</i> (unaudited)	As at 31.12.2017 <i>HK\$'000</i> (audited)
Not yet due	10,267	18,723
Overdue:		
0 - 30 days	700	865
31 - 60 days	31	57
61 - 90 days	<u>18</u>	<u>2</u>
	<u>11,016</u>	<u>19,647</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30.6.2018 <i>HK\$'000</i> (unaudited)	As at 31.12.2017 <i>HK\$'000</i> (audited)
Trade payables	3,864	3,532
Dividend payable	-	1,992
Other payables and accruals (Note)	<u>24,761</u>	<u>18,282</u>
	<u>28,625</u>	<u>23,806</u>

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	As at 30.6.2018 <i>HK\$'000</i> (unaudited)	As at 31.12.2017 <i>HK\$'000</i> (audited)
0 - 30 days	3,811	3,289
31 - 60 days	42	239
61 - 90 days	<u>11</u>	<u>4</u>
	<u>3,864</u>	<u>3,532</u>

Note: Other payables and accruals include construction costs payable of HK\$2,502,000 (31st December, 2017 HK\$2,502,000).

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.080 cent per share for the six months ended 30th June, 2018 (six months ended 30th June, 2017: HK0.077 cent per share) payable on Thursday, 27th June, 2019 to shareholders whose names appear on the register of members of the Company on Friday, 14th June, 2019.

BOOK CLOSURE

The register of members will be closed from Wednesday, 12th June, 2019 to Friday, 14th June, 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 11th June, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued with its hotel investments, hotel management and property leasing.

The net profit after tax attributable to owners of the Company before exchange adjustment, revaluation gain of investment properties and depreciation of land, property and equipment for the six months ended 30th June, 2018 was HK\$95.0 million (six months ended 30th June, 2017: HK\$78.0 million), increased by 22%. (See Note a)

	Six months ended		Change
	30.6.2017	30.6.2018	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
Revaluation profit of investment properties	4,920	5,235	+6%
Profit from operation of hotels	45,869	66,718	+45%
Properties rental income	15,846	15,559	-2%
Income from securities investments	3,036	3,403	+12%
Other income and expenses and gain and losses	<u>727</u>	<u>3,827</u>	+426%
	70,398	94,742	+34%
Administrative expenses	(17,702)	(18,092)	+2%
Exchange adjustment	(21,348)	-	N/A
Income tax expense	<u>(9,246)</u>	<u>(15,183)</u>	+64%
Profit after taxation	22,102	61,467	+178%
Less: Revaluation profit of investment properties	(4,920)	(5,235)	+6%
Add: Exchange adjustment	21,094	-	N/A
Add: Properties depreciation and release of prepaid lease payments for land	<u>39,728</u>	<u>38,952</u>	-2%
Net profit after tax before exchange adjustment, revaluation gain and depreciation of land, property and equipment	78,004	95,184	+22%

(Note a)

The overall net profit increased by of HK\$17 million and the reasons for its increment were as follows:

	<i>HK\$ million</i>
(1) Increase in hotel net profit	15
(2) Increase in bank interest income	<u>2</u>
	<u><u>17</u></u>

PERFORMANCE

- For the six months ended 30th June, 2018, the **GROUP'S INCOME** was mostly derived from the aggregate of income from operation of hotels and hotel properties rental income, which was analysed as follows:

Income

	Six months ended		Change	Reasoning
	30.6.2017	30.6.2018		
	HK\$'000	HK\$'000		
	(unaudited)	(unaudited)		
Income from operation of hotels	213,450	243,995	+14%	<i>Increase in room rates</i>
Properties rental income	16,857	17,639	+5%	Rental income from UK hotel property and sterling appreciated against Hong Kong dollars
Dividend income	3,036	3,403	+12%	Increase in dividend received from stock investment
Other income	<u>727</u>	<u>3,827</u>	+426%	Increase in interest income from fixed deposits
Total	234,070	268,864	+15%	

The total income for the Group increased by 15% from HK\$234 million to HK\$269 million for the same period compared with last year.

The Group presently owns eight hotels, operates seven hotels and leases out one hotel in London. The income from operation of hotels increased by 14% to HK\$244.0 million (six months ended 30th June, 2017: HK\$213.5 million). Royal Scot Hotel in London was leased to a hotel management company, Travelodge.

	Best Western Plus Hotel		Best Western Plus Hotel		Best Western Hotel		Best Western Hotel		Best Western		Grand City Hotel		Magnificent International		Change
	Kowloon		Hong Kong		Causeway Bay		Harbour View		Grand Hotel				Hotel, Shanghai		
	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	Avg Room	Avg Rate	
	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	Occupancy %	Rate HK\$	
2018															
Jan	100	834	100	687	100	669	100	599	99	719	99	625	54	284	
Feb	100	843	100	691	100	707	100	653	100	744	99	667	63	321	
Mar	100	847	100	712	100	738	100	643	99	731	100	655	89	352	
Apr	100	972	100	820	100	864	100	795	99	843	99	784	92	411	
May	99	650	100	558	100	530	100	502	99	571	99	521	83	348	
Jun	100	695	100	599	100	556	100	524	99	622	99	551	90	327	
Total															
(HK'000)	31,652		40,858		32,803		50,669		53,184		25,030		9,799		
2017 Jan to Jun Total															
(HK'000)	27,927		36,298		28,263		42,618		46,927		21,096		10,321		
Change(%)	+13		+13		+16		+19		+13		+19		-5		+14

For the period under review, there was increase in the overnight PRC visitors for the hotel industry. According to Hong Kong Tourism Board, total overnight visitors were 13,856,125 visitors (six months ended 30th June, 2017: 13,051,876 visitors) during January to June 2018, increased by 6.2%. The visitors segments was analysed as follows:

	No. of Visitors	%
Mainland China	9,219,277	+9.2
Other Asia markets	2,776,404	-0.9
Long haul markets	1,588,831	+3.0
New markets	271,613	+1.6

COSTS

- **THE SERVICE COST** of the Group for the period was HK\$134.7 million (six months ended 30th June, 2017: HK\$124.7 million) representing hotel operations, increased by 8%.

Name of Hotel	Six months ended		Change
	30.6.2017 <i>HK\$ million</i> <i>per month</i>	30.6.2018 <i>HK\$ million</i> <i>per month</i>	
Best Western Plus Hotel Kowloon	2.93	3.25	+11%
Best Western Plus Hotel Hong Kong	3.60	3.92	+9%
Best Western Grand Hotel	4.00	4.32	+8%
Best Western Hotel Harbour View	4.22	4.59	+9%
Best Western Hotel Causeway Bay	2.90	3.14	+8%
Grand City Hotel	2.39	2.44	+2%
Magnificent International Hotel, Shanghai	1.12	1.15	+3%

Cost of sale of HK\$2 million (six months ended 30th June, 2017: HK\$2 million) was from cost of food and beverage.

- During the period, the **ADMINISTRATIVE EXPENSES** excluding depreciation was HK\$14.8 million (six months ended 30th June, 2017: HK\$14.5 million), representing cost for corporate management office including directors' fees, salaries for executive staff and employees, rental, marketing expenses and office expenses.

The accounting standards require hotel properties of the Group to provide **DEPRECIATION** which amounted to HK\$35.6 million (six months ended 30th June, 2017: HK\$36.5 million) for the period.

DEPRECIATION OF HOTEL PROPERTIES

Name of Hotel	Six months ended		Change
	30.6.2017 <i>HK\$ million</i>	30.6.2018 <i>HK\$ million</i>	
Best Western Plus Hotel Kowloon	6.3	6.6	+0.3
Best Western Plus Hotel Hong Kong	1.9	1.9	-
Best Western Grand Hotel	15.1	14.4	-0.7
Best Western Hotel Harbour View	3.4	2.8	-0.6
Best Western Hotel Causeway Bay	5.6	5.7	+0.1
Grand City Hotel	2.9	2.9	-
Magnificent International Hotel, Shanghai	<u>1.3</u>	<u>1.3</u>	-
Total amount for the period	36.5	35.6	

FUNDING

- As at 30th June, 2018, the **OVERALL DEBTS** of the Group were HK\$693 million (31st December, 2017: HK\$728 million), of which HK\$687 million (31st December, 2017: HK\$722 million) was bank borrowings which was secured by certain assets of the Group and HK\$6 million (31st December, 2017: HK\$6 million) was advance from shareholder.

The overall debt was analysed as follows:

	As at 31st December, 2017 <i>HK\$ million</i>	As at 30th June, 2018 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Interest Paid As at 30th June, 2018 <i>HK\$ million</i>
Bank loans	722	687	-35	6.783
Shareholder's loan	<u>6</u>	<u>6</u>	<u>-</u>	<u>0.004</u>
Overall debt	728	693	-35	6.787

FINANCE COST: Of these loans, the total interest expenses amounted to HK\$6.787 million (30th June, 2017: HK\$5.053 million), the bank loans interest expenses amounted to HK\$6.783 million (30th June, 2017: HK\$5.049 million) and the shareholder's loan interest expenses amounted to HK\$0.004 million (30th June, 2017: 0.004 million). The bank loan interest increased due to increase in interest rate during the period.

The gearing ratio was 18% (31st December, 2017: 18%) in terms of overall debts of HK\$693 million (31st December, 2017: HK\$728 million) against funds employed of HK\$3,944 million (31st December, 2017: HK\$3,961 million).

The Group's bank borrowings carry interest at floating rates and are mainly denominated in Hong Kong dollar and Pound Sterling. Accordingly, the Group exposes to exchange risk and management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

As at 30th June, 2018, the Group's staffing level did not have material change when compared with that of 31st December, 2017. Remuneration and benefit were set with reference to the market.

LOOKING AHEAD

- During the period, the management considered that the hotel revenue increased by 14% and the profit for the hotel operations increased by 45% was impressive. Future improvement of hotel performances will be difficult because of large increase supply of hotel rooms in Hong Kong, competing room rate and occupancy, skilful labour shortage, most importantly, the large drop of Renminbi exchange rate will make Hong Kong a lesser desirable destination for the PRC visitors which account over 70% of the market.
- Hotel revenue in this remaining year may experience further modest improvement. The management will try to further increase overall revenue by acquisition of income producing hotel properties.
- The management continues to seek good opportunities to further increase operating profit by the acquisition of hotel properties or serviced apartment hotels.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the period and up to the date of this announcement as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

CORPORATE GOVERNANCE

(a) Compliance with the Corporate Governance Code

During the period ended 30th June, 2018, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited with the exception of the following deviations:

Code Provision A.2.1: chairman and chief executive should not be performed by the same individual

The Company does not have separate appointments for Chairman and Chief Executive Officer. Mr. William Cheng Kai Man holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person enables the Company to have a stable and consistent leadership. It also facilitates the planning and execution of the Company's strategy and is hence, for the interests of the Company and its shareholders.

Code Provision A.4.1: non-executive directors should be appointed for a specific term

Except three non-executive directors, all directors of the Company (including executive or non-executive directors) are not appointed for a fixed term. The Articles of Association of the Company stipulate that every director (including executive or non-executive directors) shall retire and be re-elected at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the Corporate Governance Code.

Code Provision A.5.2: the nomination committee should perform the duties set out in paragraphs (a) to (d)

The terms of reference of the nomination committee adopted by the Company are in compliance with the code provision A.5.2 except that it is not the duty of the nomination committee to select individuals nominated for directorships. The nomination committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duty should be performed by the board.

Code Provision B.1.2: the remuneration committee's terms of reference should include, as a minimum, paragraphs (a) to (h)

The terms of reference of the remuneration committee adopted by the Company are in compliance with the code provision B.1.2 except that it is not the duties of the remuneration committee to approve the management's remuneration proposals, compensation payable to executive directors and senior management for any loss or termination of office or appointment and compensation arrangements relating to dismissal

or removal of directors for misconduct. The remuneration committee comprises a majority of independent non-executive directors who are not involved in the daily operation of the Company and may not have sufficient knowledge of industry practice. Such duties should be performed by the board.

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the period.

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2018.

By Order of the Board

William CHENG Kai Man
Chairman

Hong Kong, 17th August, 2018

As at the date hereof, the Board comprises nine Directors, of which five are Executive Directors, namely Mr. William Cheng Kai Man, Mr. Albert Hui Wing Ho, Madam Kimmy Lau Kam May, Madam Ng Yuet Ying and Madam Jennie Wong Kwai Fong; one is Non-executive Director, Madam Mabel Lui Fung Mei Yee; and three are Independent Non-executive Directors, namely Mr. Vincent Kwok Chi Sun, Mr. Chan Kim Fai and Mr. Lam Kwai Cheung.